

RESOLUTION NO. R-09-09-24-11D11

WHEREAS, on March 10, 2005, the City of Round Rock adopted a Financial Management Policy to manage sales tax revenues and to establish minimum reserve fund levels for the General Fund and the Utility Fund, and

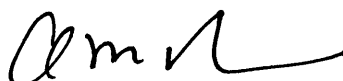
WHEREAS, the City wishes to revise said Financial Management Policy, Now Therefore

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF ROUND ROCK, TEXAS,

That the Financial Management Policy, September 2009, attached hereto as Exhibit "A" and incorporated herein, is hereby approved and adopted.

The City Council hereby finds and declares that written notice of the date, hour, place and subject of the meeting at which this Resolution was adopted was posted and that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof were discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended.

RESOLVED this 24th day of September, 2009.



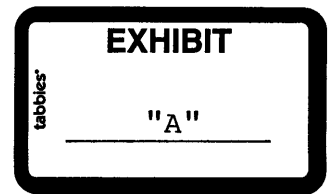
ALAN MCGRAW, Mayor
City of Round Rock, Texas

ATTEST:



SARA L. WHITE, City Secretary

City of Round Rock
Financial Management Policy
September 2009



Policy Overview

The purpose of this Financial Management Policy (Policy) is to officially establish a policy for the management of sales tax revenues generated by Dell Inc. and remitted to the City ("Dell Sales Tax,") and to establish minimum fund balance reserve levels for the General Fund and Utility Fund. This Policy is needed because of the City's continued reliance upon sales tax revenue in general, and upon Dell Sales Tax in particular, for General Operations. The goal of this Policy is to formalize the goals and objectives of the City Council to comprehensively manage the impact of sales tax on the City's budget and property tax rate.

Policy Objectives

The objectives of the Policy are:

1. To provide consistent, long-term approach for the fiscal management of the City's operating funds to balance revenue requirements with the service needs of a growing population;
2. To provide guidance to manage and reduce the City's operational reliance on Dell Sales Tax for the operational portion of the General Fund Budget;
3. To provide guidance to manage and reduce the impact of the volatile nature of sales tax and revenue upon the City's budget and property tax rate; and
4. To document the City's operating fund balance policy.

Policy Components

Sales Tax Component

General fund sales tax revenues derived from Dell, Inc. and used for general fund operations shall be limited to no more than 20% of the total amount of sales tax received from the City from all sources. This objective shall be achieved over a maximum of an eight year period.

Beginning in FY 2010, the budgeted Dell Sales Tax revenue used for operations from the previous fiscal year shall be reduced by a minimum of 10% annually until Dell sales tax revenue is not more than 20% of total city sales tax revenues.

In the event that Dell sales tax collections exceed the aforementioned limitation, said amounts will be budgeted and utilized for only the following purposes:

1. To reduce need to borrow additional funds by funding capital improvements and/or one-time expenditures as approved by the City Council; and
2. To retire existing General Obligation debt when market conditions allow.

The utilization of Dell Sales Tax will be determined in compliance with this policy. The City Council will make the final decision regarding the utilization of the Dell Sales Tax, based on the recommendations made by the City Manager.

If an unanticipated dramatic loss of revenues occurs, strategic use of fund balance may be utilized to comply with this policy.

Property Tax Component

Only after considering the availability of all revenue, the property tax rate shall be increased to compensate for any direct Dell Sales Tax revenue program reductions.

Fund Balance (Reserve) Component

Minimum reserve levels for operating funds (General Fund and Utility Fund) shall be established at 33% of annual budgeted operating expenditures.

Annual Review Component

This policy shall be reviewed annually by the City Council to ensure policy objectives are being achieved.

DATE: September 17, 2009

SUBJECT: City Council Meeting – September 24, 2009

ITEM: 11D11. Consider a resolution approving a revised Financial Management Policy of the City of Round Rock.

Department: Finance

Staff Person: Cheryl Delaney, Finance Director

Justification:

As a result of the City of Round Rock's continued and growing reliance on sales tax revenue for general fund operations and more specifically reliance on a single source of that sales tax revenue, a revised financial management policy is necessary to comprehensively manage and communicate both the short and long term financial objectives of the City.

This revised policy establishes limitations on the use of sales tax revenue derived from Dell, Inc. for general fund operations, states how property tax rate will be used to compensate for Dell sales tax reductions and documents the City's fund balance policy. This policy shall be reviewed on an annual basis to ensure policy objectives are being met.

Funding:

Cost: N/A

Source of funds: N/A

Outside Resources: N/A

Background Information:

Staff made a presentation to the Council during the 2009 Council Retreat regarding this issue.

The previous Financial Management Policy was approved by the City of Round Rock Council on March 10, 2005.